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SKETCH  
OF THE  
EARLY HISTORY OF BANKING  
IN  
VERMONT.

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*Address by*

*George B Reed at Montpelier  
Octo 14-1862 See Gilman's  
Bibliography pp 231.*

THIS Sketch, written several years ago, and read before the Vermont Historical Society, relates more particularly to the Vermont State Bank, the first banking institution in the State.

GEO. B. REED.

*Boston, 1879.*

“For many years after the organization of the government of Vermont, a large majority of the people were decidedly opposed to the issue of paper money; nor could they be brought to consent to the establishment of banks within the State till they felt themselves compelled to such a measure in self-defence, in consequence of the great multiplication of banks in the neighboring States.” — *Thompson's Vermont*.

## SKETCH.

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THE first applications to the "General Assembly" of the State for bank charters were made in 1803, by citizens of Windsor<sup>1</sup> and Burlington. The Windsor petitioners set forth "that they were convinced of the importance and usefulness of banks, and that the establishment of a bank at their place would essentially promote the interests of the citizens, by lessening the interest and increasing the quantity of money in circulation, enlarging the sphere of confidence and credit with the contiguous States, removing the loss and inconvenience which flow from the exclusive circulation of notes from other banks at a great distance," and prayed to be incorporated into a banking company. The committee, consisting of members of the House and Council, to whom the petitions were referred, reported "that a majority of them were of the opinion that the prayer thereof ought to be grant-

<sup>1</sup> Windsor, at that time and for several years after, was the principal business place in Eastern Vermont.

ed." Their report was accepted, and leave given to bring in a bill, which was done. At first the bill, by a vote of 96 to 88, was referred to the next session of the Legislature; but this vote was afterwards rescinded and the bill passed, yeas 93, nays 83. A bill for a bank at Burlington was also passed. The Governor and Council "non-concurred" in the passage of these bills, and returned them to the House, with their reasons, in writing, which were entered in full on the Journal of the House, and the bills referred to the next session of the Legislature. These reasons, given in full in "Thompson's Vermont," under the head of "Banks," say:

"1. Bank bills being regarded as money, and money, like water, always seeking its level, the bills put into circulation in this State must displace nearly the same sum of money now in circulation among us, and, by driving it into the seaports, facilitate its exportation to foreign countries.

"2. By introducing a more extensive credit, the tendency of banks would be to palsy the vigor of industry, and stupefy the vigilance of economy—the only two honest, general, and sure sources of wealth. In this view, banks would tend to divert the attention of the speculator, the inexperienced youth, the indolent and incautious, from those honest and sure sources of mediocrity and independence, and to fix it upon imaginary and unjustifiable methods of suddenly accumulating an overgrown property.

"3. Banks, by facilitating enterprises both hazardous and unjustifiable, are natural sources of all that class of vices which arise from the gambling system, and which cannot fail to act as sure and fatal, though slow, poisons to the republic in which they exist.

"4. Banks tend strongly to draw off the dependence of debtors from their own exertions as means of payment, and to place it on the facility of increasing new debts to discharge the old.

"5. Banks have a violent tendency, in their natural operation, to draw into the hands of the few a large proportion of the property at present fortunately diffused among the many. The tendency of banks seems to be to weaken the great pillars of a republican government, and at the same time to increase the forces employed for its overthrow.

"6. As banks will credit none but persons of affluence, those who are in the greatest need of help cannot expect to be directly accommodated by them.

"7. Should the bill pass into a law, we apprehend it would be found necessary, at least, to render the bank granted thereby perpetual; a measure too important to be adopted without a more thorough investigation than the novelty of the question and the shortness of the time will allow.

"8. By the establishment of banks, government would in our opinion go farther than could have been contemplated by its original institution."

An adjourned session of the Legislature was holden at Windsor in January,

1804,

and these bank charter bills came up again. The committee, a new one with the exception of one person, to whom they were referred, unanimously reported "that, in their opinion, the Acts, with the alterations, amendments and additions thereto as

now reported, would be of real service, both to the agricultural and mercantile interests of this State. It is nevertheless the opinion of this committee that they ought not to be passed at this session of the Legislature, but ought to be printed, at the expense of the intended corporations, that the public sentiment thereon may be fully known previous to the sitting of the next Legislature"—which report was accepted, and the bills referred accordingly. The proposed charter for the bank at Windsor was printed in a Windsor newspaper that year, and with it several columns of "reasons why there should be banks in the State." They say:

"There is not in the State any bank or public office where the temporary wants of our citizens may be supplied with loans of money at a low rate of interest, and for a term of time convenient to the borrower; in consequence of which *usurious loans* are more common than in other States, and the rate of interest exorbitant without example; and as *illegal interest* cannot without some risk to the lender be taken on simple loans, recourse is had to *oppressive contracts*, whereby the law against usury is evaded. . . . As there is no bank, or place of deposit, where current coins can be had to make a *legal tender*, forfeitures are incurred, and much cost and inconvenience arises in cases where notes of foreign banks are refused in payment; and owing to the distance of those banks whose notes are in circulation amongst us, the people suffer a *direct tax* from *defaced, worn out*, and counterfeited notes.<sup>1</sup> The circulation of the

<sup>1</sup> The State at this time was overrun with counterfeiters. The criminal docket in every county was very large, and three quarters of the cases were for making or passing counterfeit bills. Counterfeit, defaced and worn-out bills were the cause of great complaint from all classes of the people.



bills of banks of other States in this State is at least eight hundred thousand dollars; that money is issued in loans to their citizens, who purchase cattle and other stock from the people of Vermont, by which means an increase of revenue is derived to those States, and *speculators* take advantage of the scarcity of money amongst our people, and buy their cattle, pork and grain at a reduced price, and make our necessities subserve their interests. Money (coin) disappears in proportion to the increase of the circulation of foreign bills. It is difficult, even at this time, to procure sufficient specie to pay the taxes. Such of our citizens as are stockholders in foreign banks, would be induced to vest their money in *banks of our own*. . . . By the State reserving a right to draw considerable sums from the bank at a low rate of interest, and for a certain number of years, she would always be provided for any emergency which might require an *immediate expenditure* of money.<sup>1</sup> The value of such a privilege has been duly appreciated by the sister States, and recognized in all their charters to bank companies."

Nothing was said or done about banks at the October session of the Legislature this year, but in

1805

petitions were again presented for banks at Windsor and Burlington, and also at other places; and a bill introduced establishing a State bank.

A Committee on Banks was appointed at this session, and these matters referred to it. They reported on the petition for a bank at Windsor, "that in their opinion the prayer of the petitioners ought to be granted; and that they have leave to bring in

<sup>1</sup> Such a right as this was in the bill establishing a bank at Windsor.

a bill, so modified, however, as that the capital of their bank shall not exceed one hundred thousand dollars, to which the State may add, at any future time or times, an equal sum for its own emolument; and the said one hundred thousand dollars shall be divided into two equal moieties, and be placed in two places of deposit, one at Windsor, and the other at Brattleboro." This report was at first rejected; but afterwards the vote was rescinded, the bill introduced, amended, and passed by a vote of 108 to 76. The Burlington bank petition was also favorably reported upon, and a bill introduced and passed. The Governor and Council returned them non-concurred in; and they were taken up in the House, read and discussed, and on the question, Shall they again pass and be sent to the Governor and Council, it was decided in the negative, yeas 77, and nays 91.

On the bill for a State bank, the Committee reported "that, although the bill seems to be wholly inadequate to the object proposed, it is nevertheless expedient that the General Assembly should go into such a consideration of the subject as shall lead to a thorough investigation of its principles, practicability and policy"—which report was read and referred to a committee of five, to join a committee from the Council, to report a bill on the subject. They reported the same bill, with amendments. The bill was read and dismissed.

— 1806.

This is a memorable year in the history of banking in this State. Petitions to the Legislature for bank

charters were numerous, and the House, by resolution, went into Committee of the Whole, "to see if it would be expedient to grant charters for any public or private banks within this State." They recommended to the House that it would not be expedient to do so; but the House, by a majority of six, refused to adopt the recommendation. Afterwards, the following resolution was introduced:

"*Whereas*, Sundry petitions for charters for private banks within this State have been presented to this Assembly, which petitions are now pending; therefore

"*Resolved*, That it is the sense of this House that the establishment of private banks within this State, the State reserving in such bank or banks the right of filling up any number of shares, or at any time to assume the whole stock, will be useful to the people of this State."

This resolution was lost by *two* majority. A bill was then introduced to establish

#### THE VERMONT STATE BANK,

which, after some alterations and amendments, was passed by a large majority, the Governor and Council concurring therein:

SECTION 1 of the Act enacts that there be established a bank, to be called the Vermont State Bank, to consist of two branches (and more if the State from time to time shall direct), one at Woodstock, the other at Middlebury; and all the stock in the bank, and all the profits, shall be the property of the State, and be under the *sole* direction and disposition of the Legislature *forever*.

SECTION 2. Thirteen directors for the bank shall be chosen annually, by ballot, in joint assembly; they to choose one of their number President. Six of the directors shall reside in the Eastern, and six in the Western

District of the State, and the other 'where prudence shall dictate.'

SECTION 3. Those directors residing in the Eastern District shall be directors of the branch at Woodstock; those in the Western of the branch at Middlebury.

SECTION 4 empowers the directors to appoint cashiers and clerks, and make necessary rules for conducting business.

SECTION 5. The directors of each branch shall have discretionary power to borrow money from time to time, to fill the vaults of such branch, on the credit of such branch only; but they shall not give a greater interest than six per cent. per annum.

SECTION 6. The bank bills shall be signed by the President, and also by the cashier of the branch at which they are made payable; and the directors of either branch shall not at any time issue or put in circulation bills to a greater amount than the actual deposit of coin in the vault of their branch, until the deposit shall amount to twenty-five thousand dollars, after which they may put in circulation bills to three times the amount of such deposit, provided said deposit shall not at any time exceed three hundred thousand dollars.

SECTION 7. Five hundred dollars is appropriated from the State treasury for the purchase of plates and paper necessary in issuing bills, and, after the same are procured, the Legislature may from time to time appropriate any moneys or sums of money, as they shall see fit, to fill the vaults of the branches of the bank and those they may establish hereafter.

SECTION 8 requires each director to give bonds to the State Treasurer in the sum of thirty thousand dollars. The cashiers and clerks also to give bonds to the State in such sums as the directors from time to time require, having reference to the amount in the vaults.

SECTION 9. Each and every officer of the bank shall be sworn to the faithful performance of the duties of his office, and shall receive for his services such sums as the Legislature shall from time to time direct, provided it is not more for them all than the whole profits of the bank for the first year, or more than half of the profits for any succeeding year.

SECTION 10 gives the directors power to purchase, hold and dispose of any real or personal property as the banking interest of the State shall dictate, and for the interest of the State only.

SECTION 11 requires the directors annually to report to the Legislature the situation of the bank, including the amount of the deposits and bills in circulation; and the Legislature can appoint a committee to inspect and report the situation of each branch."

The directors chosen were: David Robinson, Apollos Austin, Horatio Seymour, Daniel Chipman, John Willard, William C. Harrington, John Mattocks, James Tarbox, Titus Hutchinson, Benjamin Swan, Elias Lyman, Alexander Campbell and Mark Richards. They chose Titus Hutchinson President, Job Lyman cashier of the branch at Woodstock, and William G. Hooker cashier of the branch at Middlebury.

1807.

The directors, in their report to the Legislature this year, say they began to issue bills<sup>1</sup> in February, and that on September 30th there was due the bank \$139,757.23. They recommend that acts be passed directing the State Treasurer to deposit in the bank

<sup>1</sup> The bills were of the denominations of 50c., 75c., \$1.00, \$1.25, \$1.50, \$1.75, \$2.00 and \$3.00.

all the resources of the State that shall come into his custody, to be drawn out as needed, and making the President and directors liable to be sued for breach of contract before any court of competent jurisdiction; and if final judgment shall be rendered against them, the court shall draw an order on the State Treasurer for the amount. Their report closes as follows: "The obstacles which were inseparable from an institution established on principles hitherto unattempted in the banking system have been happily surmounted, and the practicability of those principles established. The high credit and extensive circulation of our bills, we trust, are sufficient to inspire the public confidence, and to insure a continuance of their patronage. Under the fostering care of the Legislature, we are induced to believe that this institution may become highly conducive to the convenience of the citizens, and a productive source of revenue to the State."

An act complying with the recommendations of the directors was passed, to which was added a section giving the directors power to fill vacancies in the board, and to fix the salaries of cashiers and clerks. An act concerning loans in foreign bills was also passed. It had a preamble as follows:

*"Whereas*, Sundry persons, belonging to this State and elsewhere, have combined together and formed companies for the purpose of bringing bills of banks in other States into this State, and for loaning the same—which bills, considering the great distance of the banks from which they are issued, and the uncertainty of procuring the specie even when the application is made to them, are not equal

to the face of them; and whereas, also, such proceedings are not only injurious to the individuals who have received them, but also tending to the injury of the banking institutions of this State: to prevent which combinations and injurious practices,

*"It is enacted,* That if any person shall, after the first day of December next, bring into this State any sum or sums in foreign bank bills, or bills issued by the directors of any bank out of this State, with the intent and for the purpose of loaning the same, or assist in so doing, shall forfeit to the State the full value of such bills, to be assessed as a fine. And it is further enacted, if any who have heretofore brought such bills into the State for the purpose of loaning them, or been in any way concerned or interested therein, shall continue after the above date to make any loans thereof; or of any such foreign bills printed or struck off within this State; or of any funds thereby created, or in any way aid or assist therein, shall forfeit and pay to the State a fine equal to the amount of such loan, with costs."

Several towns applied this year for branches of the bank, and after much discussion, resolving and referring, an act was passed establishing two more branches, to be located by ballot in joint assembly; the directors of the bank to assign three of their number to each of the four branches. The ballot resulted in favor of Burlington and Westminster. The Judges of the Supreme Court were appointed a committee to inspect the branches of the bank for the next year.

1808.

But little was said or done about the bank this year in the Legislature. Some charges were

brought against the directors of one of the branches, which were referred to a committee, who reported in full, justifying the course of the directors; but the report was not accepted, there being a majority of one against it. It was contended that it did not exhibit a full and correct statement of all the facts in evidence. One of the charges brought before the committee was as follows: "That individuals holding bills payable at one of the branches had been obliged to pay a discount of one or two per cent. to have the bills paid according to the tenor thereof, or be obliged to take a draft on distant banks, payable at from thirty to sixty days, or be unnecessarily or unreasonably delayed in the payments." As to this charge, "the committee find, from the concessions of the directors, and from evidence adduced, that the directors of the bank have directed the cashier that when any person applied to the bank with their bills for payment, whom the cashier or directors thought a speculator, or who did not receive the bills in the ordinary course of business, or was unfriendly to the bank, to offer him drafts on Boston, payable in thirty or sixty days; and if he refused such draft, then to proceed to count the money in small change, or weigh small pieces of gold moderately, until he had paid him or he should offer to discount one per cent.; and if said discount was made, to pay the bills promptly; which directions the cashier followed, and the cashier certified that all sums so received went to the benefit of the bank."

An act was passed at this session paying the



examining committee for their services, and designating what sums shall be allowed the President, directors and cashiers for their services; the President to have seventy-five cents for every one hundred sheets of bills signed by him, and if attending to the business of other branches to have two dollars and a half for forty miles of travel, in lieu of all other fees. The directors to have one dollar and a half a day spent in attending to the business of the bank. The cashier to have 'not exceeding five hundred dollars per annum, any law, usage or custom to the contrary notwithstanding.'

The examining committee report the condition of the bank as follows, on the first day of October, 1808:

Notes discounted, . . . . .	\$429,893.89
State orders, accounts and receipts, . . . .	70,235.99
Coin, U. S. bills, and deposited in Boston, . . . .	187,592.12
	<u>\$687,722.00</u>
Bills in circulation, . . . . .	\$548,305.75
Checks, etc., outstanding, . . . . .	49,227.84
Due the State Treasurer, . . . . .	79,016.97
	<u>676,550.56</u>
Profit, . . . . .	\$11,171.44

1809.

Governor Galusha, in his message to the House, says of the bank:

"It will deserve your attention. The failure of several private banks in the vicinity of this State, the rejecting our bills by the law of one State and the policy and caprice of others, has embarrassed our mercantile intercourse with the

adjoining States. . . . The manner to be pursued to meet or remove these impediments, I leave to your consideration. It will be remembered by many that I was not amongst those that favoured the institution of country banks; but it is apparent that the establishment of a public bank in this State has saved many of our citizens from great losses, and probably some from total ruin—for it is obvious that but for this establishment, in lieu of our own Vermont Bank bills, our citizens would on the late bankruptcies have been possessed of large sums of the depreciated paper of the failing private banks. . . . For my own part, I consider the holders of our bills perfectly secure; and, as every person in the State has an interest in the avails of the bank, they will the more cheerfully acquiesce in any prudent measure you may devise to give it support.”

The House responded as follows to that part of the Governor's Message relating to the bank:

“We readily reciprocate the sentiments expressed by your Excellency with regard to the State Bank. The progress of that institution, thus far in its infancy, proves it worthy of our attention. Its salutary effects, in excluding the paper of those private banks which have recently failed, cannot be too highly estimated. Several hundred thousand dollars in bank paper have usually been circulating among the citizens of this State, the greater portion of which might now be counted as lost, had not the better currency of our own bills within this State operated to exclude the bills of those private banks which thus have failed. We value the institution as a source of revenue, in which our citizens are all concerned. . . . We consider the final redemption of the bills already guaranteed by the honor and wealth of the State, and we are ready to adopt any measure which will be necessary to remove any real or imaginary obstacles to the prosperity of the institution.”

The House Committee on the Bank report that

the President and directors of the bank have furnished them with their annual statement for the past year, from which the following result is submitted for the consideration of the Joint Assembly:

“Since the establishment of the institution, there have been issued and put in circulation, up to September 30th, 1809, bills to the amount of \$760,825.50; of which they have redeemed, and had in the bank September 30th, \$356,225.75; leaving in circulation, \$404,599.75; for the payment and redemption of which they had, in notes, specie and other securities, after paying all expenses attending the establishment, together with a loss of about \$1,100 in bills of some of the private banks which have failed, \$427,012.23; leaving a net gain to the State of \$22,412.48. Your committee would further observe that the rule with the directors has been, on loaning money, to require a note made joint and several, with three or more signers; and, from the care which has been taken, it is believed that very little, if any, is out on doubtful security. And, although causes unforeseen to the President and directors have produced a temporary suspension of punctual payment at the bank, yet it does not appear that this state of things will long continue. And it is also the opinion of your committee that with some further legislative aid, which is believed to be practicable, the institution will succeed equal to the most flattering expectation of the citizens of this State.”

An act was passed at this session making the contracts for borrowing money by the directors of either branch binding on the directors of all the branches of the bank, and the State accountable for the same. By another section of this act, the directors, at their first meeting in each year, were to determine by vote the sum each branch should be authorized to borrow, and the amount of bills to

have in circulation at any one time. Another act made the bills of the bank lawful tender in the payment of all land taxes voted at that session. An act was also passed "making provision for the collection of debts due the bank."<sup>1</sup>

## 1810.

## STATEMENT OF THE DIRECTORS OF THE BANK FOR THIS YEAR.

Notes discounted, . . . . .	\$290,464.55
Bills of other branches, . . . . .	12,425.75
Specie, . . . . .	2,496.14
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	\$305,386.44
Bills in circulation, . . . . .	\$211,831.00
Checks outstanding, . . . . .	57,537.93
Contingent expenses, . . . . .	2,951.32
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Profit, . . . . .	272,320.25
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	\$33,066.19

## LEGISLATIVE BANK COMMITTEE REPORT.

"It appears by a particular statement made to us by the directors in person from each branch, and from the best information we have been able to obtain, that the debts due to the bank, with some few exceptions, have been well secured; however, it is believed that some losses will eventually be sustained. . . . Taking into view the whole subject, your committee are of the opinion that the bank has proved beneficial to the people of the State, more particularly so on account of the many failures of private banks in sister States."

At this session an act was passed restricting the

<sup>1</sup> "If a note discounted by the bank was not paid in three days after it was due, the cashier was to issue an extent (writ of execution), according to a form therein given, against the signers, and have it served. Persons committed to jail on extent should be entitled to the liberties of the prison on giving sufficient bail."

directors of any of the branches, for one year from the passage of the act, from borrowing any money, or issuing any bills, until the specie in the vaults is equal to half the bills in circulation and debts then due from the branch. The directors hereafter not to loan to any person or company any sum that will make his or their indebtedness at any one time more than one thousand dollars. The directors, in their annual report to the Legislature, are to give a list of all those persons who shall at the date of the report be in arrears to the bank, and who shall not have been prompt in fulfilling their contracts with the bank, together with a particular statement of the date and sums due on such contracts.<sup>1</sup> Another act requires the President to visit each branch of the bank yearly in December, and thoroughly examine into its condition, etc.

## 1811.

The committee of the Legislature appointed to receive and examine the report of the directors of the bank give a statement in detail of the same. The following is a general statement of it:

<sup>1</sup> Another section says: "If any person or persons committed to jail on any extent to be issued hereafter for the collection of any debt due the bank, and admitted to the liberties of the jail on bail bond, shall break the conditions thereof, another extent shall be issued against him or them, and their bail; and if such person or persons, or their bail, shall be committed to jail on such extent, they shall not be admitted to the liberties of the jail."

"If any note now due shall not be paid within eight months' time, the directors are to have a list of the names of the persons so indebted made out, with the amounts due, date of contract and time when due, and have it published in some newspaper in the State, within three weeks after the expiration of the eight months."

Notes discounted, . . . . .	\$145,313.21
Land taken on execution, . . . . .	9,550.14
Specie, . . . . .	3,046.24
Bills of other branches, etc., . . . . .	8,731.42
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	\$166,641.01
Bills in circulation, . . . . .	\$94,932.50
Checks outstanding, . . . . .	26,939.40
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Profit, . . . . .	\$44,769.11

"The committee are of the opinion, considering the amount of the bills called in at the several branches during the last year, that it is probable, in the course of another year, with careful management and close attention to the collections, but few of the bills will be in circulation." . . .  
 "They recommend the appointment of a committee, with ample powers to make full examination into the situation of the affairs of the several branches during the recess of the Legislature." . . .

In compliance with the recommendation of the committee, the Legislature passed an act appointing Samuel C. Crafts, Elihu Luce and Robert Temple a committee, with full powers, to examine into the situation of the several branches of the bank, and report their condition to the Legislature at the next session; the committee to remove the branch of the bank at Westminster to Woodstock, and incorporate the two branches into one. The directors shall in *no case* loan or put in circulation any bill from either branch, until they have half as much specie in their vaults as they have bills in circulation and debts due others. The President and directors to press an indiscriminate collection of the

debts due the several branches as soon as possible.

The following act was passed at this session:

"Whereas, By failure of sundry private banks in several of the United States the public, as well as private citizens, have been greatly injured; which evil to prevent in future,

*"It is enacted,* That from and after the passage of this act, all State officers—including the Treasurer, Clerks of Courts, County Treasurers and the State Bank—shall not receive in payment for any debts due or demands for the use and benefit of the State, bills issued from any private banks within the United States."

# 1812.

The committee appointed by the Legislature last year, to examine into the situation of the several branches of the bank, made a full report to the Legislature this year of their condition, from which the following statement is compiled:

Notes discounted, . . . . .	<sup>1</sup> \$95,418.80
Lands taken on execution, . . . . .	11,062.20
Bills of other branches, . . . . .	7,753.75
Specie, . . . . .	6,904.30
State orders, . . . . .	227.66
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	\$121,366.71

Bills of broken banks, . . . . .	\$3,052.00
Expenses from the first, . . . . .	27,176.80
Paid interest on deposits, . . . . .	10,214.12
Unaccounted for, . . . . .	13,680.39
	<hr/>
	\$54,123.31
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	\$175,490.02
Bills in circulation, . . . . .	\$78,431.75
Bank checks outstanding, . . . . .	30,465.70
	<hr/>
	\$108,897.45

Received in discounts, premiums

and interest from the first, . . . 66,592.57 \$175,490.02

<sup>1</sup> Notes to more than half the amount are reported as "in suit."

The Legislature passed an act at this session, entitled "An act in addition to an act establishing a State Bank," which in fact was to discontinue the business and close up the affairs of the bank.

Section 1 enacts that instead of the thirteen directors of the Vermont State Bank heretofore directed to be chosen, there shall be chosen by ballot, by both branches of the Legislature in joint committee at their present session, four suitable persons to be directors of said bank, who shall have all the powers which the directors of said bank now have by law, and may choose a President out of their own number; Provided that no bill shall be issued from said bank by way of loan until further orders of the Legislature.

Section 2 enacts that the committee appointed by the act of the last session are further empowered and hereby directed to remove the two branches of said bank at Burlington and Middlebury to the bank at Woodstock, in the same manner as directed to remove the branch at Westminster to the bank at Woodstock. And it shall be the duty of said committee, together with some one or more of the directors of said bank, to burn all the bills of the Vermont State Bank in the several branches of said bank, except what may be necessary to pay the checks due from said bank.

Section 3 enacts that the President and directors of the bank be and hereby are required and directed with all due diligence to collect, in the most safe and speedy manner, all debts due the bank, and to sell the property belonging to the bank, and to use all proper endeavors to close the concerns of the bank as soon as, in their opinion, the same can be done with advantage to the State.

Section 4 says that if any person holding any bills of said bank shall present the same to the State Treasurer, and wishes to exchange the same, the Treasurer shall issue to



such person, in lieu thereof, State notes, signed by the Treasurer, for the amount of such bills, payable to such person or bearer; the one half payable in one year, and the other half in two years, with interest at the rate of six per cent. per annum.

Section 5 enacts that the bills of the bank shall be received in payment of all demands due to any branch of said bank.

### 1813.

The Bank Committee report to the Legislature that on the 11th of October there were bills of the bank unredeemed amounting to \$66,522.25; of which sum the State Treasurer had nearly half. The specie and current bills the bank had on hand at that time amounted to \$2,671.07.

The Legislature passed an act, this year, reducing the number of directors of the bank to three, and ordering the Treasurer of the State, with one or more of the directors of the bank,<sup>1</sup> to burn all the bills of the bank now in the treasury, excepting such sums as the Treasurer may deem necessary to meet the demands on him; and they are to keep an account of each branch's issue that they burn.

### 1814.

The President and directors of the State Bank report to the Legislature that the following is a general statement of the situation of the bank:

<sup>1</sup> The directors chosen this year were Benjamin Swan, James Tarbox and Elihu Luce.

Bills in circulation, . . . . .	\$58,680.00
Bank checks outstanding (supposed), . . . .	4,500.00
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	\$63,180.00

Of which sum the Treasurer has on

deposit, in bills, . . . . .	\$39,255.25	
and in checks, . . . . .	3,300.00	\$42,555.25
	<hr/>	
Outstanding, . . . . .		\$20,624.75
The property belonging to the bank, consisting		
of bonds and debts due, amounts to . . . .		\$77,550.00

*October 23, 1814.*

October 27th, the act "to prevent public injuries arising from the circulation of foreign bank bills within this State," passed in 1811, was repealed.

1816.

November 5th, an act was passed prohibiting the passing or circulating of bills under one dollar.

1817.

October 24th, an act was passed prohibiting the circulation of bank bills not payable in specie, or in the words of the act, "other than those on which, according to the tenor of such note or bill, specie may be demanded in payment." An act was also passed, directing and empowering the directors of the State Bank to sell and convey all real estate now the property of the State, which became so from debts due the bank.

Of the further history of the Vermont State Bank, but little remains to be said; the Legislature continued annually, until 1822, to choose directors,

and after that time an Agent "to sell the lands and settle up the affairs of the bank." The property of the bank in 1822 consisted of

Lands and farms in several towns in the	
State, taken on execution, at . . . .	\$21,685.00
Notes, . . . . .	9,263.94
Notes doubtful and bad, . . . . .	9,161.40

The State redeemed all of the outstanding bills and checks of the bank, receiving them in payment for taxes. In 1825 it was enacted by the General Assembly "that the amount of the avails accrued to the State from the late Vermont State Bank be, and the same is hereby, sequestered and granted to the respective towns in this State, for the benefit of common schools, and to no other use; to be managed as a School Fund, the State Treasurer being the commissioner of the Fund."

The affairs of the bank were not all settled up until about the year 1845.

The bank was 'established on principles hitherto unattempted in the banking system'; and "what appeared so fair and plausible in theory was found to work very badly in practice. . . . The loss to individuals in consequence of the failure of the institution was trifling, but the loss to the State was very considerable."<sup>1</sup>

In 1818 the Legislature granted charters for

<sup>1</sup> "Thompson's Vermont."

private banks at Windsor and Burlington, and in the course of the next twenty years, at all of the other large business towns in the State. One section in all of these bank charters was, that "the directors should not at any time contract debts to a greater amount than the deposits in specie in the bank and three times the amount of the capital stock then paid in specie into the bank." Under these charters the banks of Vermont were well established, and gave to the people of the State all the advantages that could be derived from banking institutions, and they were also very remunerative to the stockholders.

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Resto.

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